

**ST. TAMMANY PARISH
FIRE PROTECTION DISTRICT NO. 2
Madisonville, Louisiana**

Annual Financial Statements

December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 18 2013

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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 2

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of St. Tammany Parish Fire Protection District No. 2 ("the District"), a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a member firm in the worldwide network of independent member firms affiliated with the McGladrey Alliance, a network of independent member firms affiliated with the McGladrey Alliance, a network of independent member firms affiliated with the McGladrey Alliance, a network of independent member firms affiliated with the McGladrey Alliance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 - 6 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The schedule of governing board is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of governing board is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of governing board is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, on our consideration of St. Tammany Parish Fire District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
April 26, 2013

REQUIRED SUPPLEMENTARY INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2012

As management of St Tammany Parish Fire Protection District No 2 ("the District"), we offer this discussion and analysis of the District's financial activities for the year ended December 31, 2012

As with other sections of this financial report, the information contained with this Management's Discussion and Analysis ("MD&A") should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A

Financial Highlights

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements begin on page 10. These statements tell how these services were financed in the short-term as well as what remains for future spending. The District is a component unit of the St Tammany Parish Council. Its operations are conducted through a general fund.

A summary of the basic government-wide financial statements is as follows:

Summary Statements of Net Position

	2012	2011
Assets		
Current Assets	\$ 4,173,559	\$ 4,684,848
Other Assets	48,013	54,872
Capital Assets, Net of Accumulated Depreciation	2,887,008	2,417,654
Total Assets	7,108,580	7,157,374
Liabilities		
Current Liabilities	528,653	541,190
Non-Current Liabilities	2,086,134	2,339,812
Total Liabilities	2,614,787	2,881,002
Net Position		
Net Investment in Capital Assets	1,498,317	1,603,564
Unrestricted	2,995,476	2,672,808
Total Net Position	\$ 4,493,793	\$ 4,276,372

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2012

Summary Statements of Activities

	2012	2011	Change
Revenues			
General Revenues			
Ad Valorem Taxes	\$ 2,884,653	\$ 2,517,933	\$ 366,720
State Revenue Sharing	50,355	48,729	1,626
Fire Insurance Tax	40,450	40,950	(500)
Rentals	56,564	51,911	4,653
Interest Income	4,338	2,225	2,113
Total Revenues	3,036,360	2,661,748	374,612
Expenses			
Fire Protection	2,733,068	2,309,087	423,981
Interest on Long-Term Debt	85,871	116,506	(30,635)
Total Expenses	2,818,939	2,425,593	393,346
Change in Net Position	\$ 217,421	\$ 236,155	\$ (18,734)

Capital Assets and Debt

In 2012, capital assets increased by \$469,354, which is primarily the result of improvements to the Oak Park building and purchases of equipment, net of depreciation expense for the current period. Total debt decreased by \$392,103, which was the result of scheduled principal payments during the year.

General Fund Budgetary Highlights

In 2012, actual revenues exceeded budget by \$256,776 and expenditures exceeded budget by \$110,420.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Mike Stein, P O Box 795, Madisonville, Louisiana 70447.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Net Position
December 31, 2012

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 188,165
Investments	1,154,121
Receivables - Ad Valorem Taxes, Net	2,795,155
Receivables - State Revenue Sharing	33,603
Deposits	2,515
Bond Issuance Costs, Net	48,013
Capital Assets, Net of Accumulated Depreciation	<u>2,887,008</u>
Total Assets	<u>7,108,580</u>
Liabilities	
Accounts Payable	109,697
Accrued Expenses	74,803
Deferred Revenue	37,970
Accrued Interest	25,183
Compensated Absences	145,134
Certificate of Indebtedness	
Due Within One Year	281,000
Due in More than One Year	<u>1,941,000</u>
Total Liabilities	<u>2,614,787</u>
Net Position	
Net Investment in Capital Assets	1,498,317
Unrestricted	<u>2,995,476</u>
Total Net Position	<u><u>\$ 4,493,793</u></u>

The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Activities
For the Year Ended December 31, 2012

Activities	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities			
Public Safety - Fire Protection	\$ 2,733,068	\$ -	\$ (2,733,068)
Interest on Long-Term Debt	85,871	-	(85,871)
Total Governmental Activities	\$ 2,818,939	\$ -	(2,818,939)
General Revenues			
Ad Valorem Taxes			2,884,653
State Revenue Sharing			50,355
Fire Insurance Tax			40,450
Rentals			56,564
Interest Income			4,338
Total General Revenues			3,036,360
Change in Net Position			217,421
Net Position, Beginning of Year			4,276,372
Net Position, End of Year			\$ 4,493,793

The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 175,889	\$ 12,276	\$ 188,165
Investments	224,277	929,844	1,154,121
Receivables - Ad Valorem Taxes, Net	2,795,155	-	2,795,155
Receivables - State Revenue Sharing	33,603	-	33,603
Deposits	1,629	886	2,515
Total Assets	\$ 3,230,553	\$ 943,006	\$ 4,173,559
Liabilities			
Accounts Payable	\$ -	109,697	\$ 109,697
Accrued Expenses	74,803	-	74,803
Deferred Revenue	37,970	-	37,970
Total Liabilities	112,773	109,697	222,470
Fund Equity			
Fund Balance			
Unassigned	3,117,780	-	3,117,780
Restricted	-	833,309	833,309
Total Fund Equity	3,117,780	833,309	3,951,089
Total Liabilities and Fund Equity	\$ 3,230,553	\$ 943,006	\$ 4,173,559

**Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position**

Total Fund Equity	\$ 3,951,089
Amounts reported for governmental activities in the Statement of Net Position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,887,008
Bond issuance costs are not available to pay for current period expenses and, therefore, are not reported in the funds	48,013
Accrued interest on long-term liabilities is not reported in the governmental funds	(25,183)
Long-term liabilities, including capital leases and certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the funds	(2,367,134)
Net Position of Governmental Activities	\$ 4,493,793

The accompanying notes are an integral part of these financial statements

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 2,884,653	\$ -	\$ 2,884,653
Rentals	56,564	-	56,564
State Revenue Sharing	50,355	-	50,355
Fire Insurance Tax	40,450	-	40,450
Interest Income	1,283	3,055	4,338
Total Revenues	3,033,305	3,055	3,036,360
Expenditures			
Public Safety - Fire Protection			
Salaries and Benefits	1,752,223	-	1,752,223
Insurance	432,630	-	432,630
Communications	79,453	-	79,453
Repairs and Maintenance	72,209	739	72,948
Fuel	34,933	-	34,933
Professional Services	31,511	-	31,511
Emergency Equipment Fund	29,244	-	29,244
Rent	22,174	-	22,174
Utilities	20,968	-	20,968
Operating Supplies	20,640	-	20,640
Uniforms	17,113	-	17,113
Office Supplies	8,562	-	8,562
Miscellaneous	7,986	165	8,151
Education and Training	5,200	-	5,200
Fire Prevention Expenses	1,500	-	1,500
Postage	734	-	734
Advertising	484	-	484
Travel/Allowance	411	-	411
Drug Testing	-	-	-
Capital Outlay	20,933	615,288	636,221
Debt Service			
Principal	392,103	-	392,103
Interest	85,938	-	85,938
Total Expenditures	3,036,949	616,192	3,653,141
Deficiency of Revenues over Expenditures	(3,644)	(613,137)	(616,781)
Other Financing Sources (Uses)			
Transfers	353,567	(353,567)	-
Net Change in Fund Balance	349,923	(966,704)	(616,781)
Fund Balance, Beginning of Year	2,767,857	1,800,013	4,567,870
Fund Balance, End of Year	\$ 3,117,780	\$ 833,309	\$ 3,951,089

The accompanying notes are an integral part of these financial statements

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of the
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012**

Net Changes in Fund Balance - Total Governmental Funds	\$ (616,781)
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Amounts reported for governmental activities in the Statement of Activities
are different because

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	469,354
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments during the current period.	392,103
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences Payable	(27,322)
Change in Accrued Interest Payable	6,926

Governmental funds do not include amortization expense for bonds	(6,859)
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Change in Net Position of Governmental Activities	\$ 217,421
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The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of St Tammany Parish Fire Protection District No 2 ("the District") conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies.

Reporting Entity

The District was created by the St Tammany Parish Council ("the Council") on January 15, 1953. The District serves the area of Ward 1 of St Tammany Parish ("the Parish"). The District is governed by a Board of Commissioners. Two Commissioners are appointed by the Council and two are appointed by the Town of Madisonville. The fifth member is selected by the other appointed members and serves as board chairman. As the governing authority of the Parish, for financial reporting purposes, the St Tammany Parish Council is the financial reporting entity for St Tammany Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the Governmental Accounting Standards Board's ("GASB") *Codification of Governmental Accounting and Financial Reporting Standards* established criteria for determining which component units should be considered part of the St Tammany Parish Government for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Council appoints members of the District and because the Council has determined that it would be misleading to not include the District in the Council's Comprehensive Annual Financial Report ("CAFR"). The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The General Fund of the District is classified as governmental. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Capital Projects Fund

The Capital Projects Fund accounts for the proceeds of Series 2009 Certificates of Indebtedness which will be used to renovate the Oak Park and Weldon Poole Memorial Fire Stations and purchase a ladder truck.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net financial position.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

Ad valorem taxes and state revenue sharing associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Budget and Budgetary Accounting

The Board of Commissioners adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District's policy is to allow employees vacation pay based on length of service. Sick leave is provided for by the District but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the District's service. At December 31, 2012, the District had compensated absences of \$145,134, which is reported as a liability on the Statement of Net Position.

Cash, Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

Receivables

Ad valorem tax receivable is reported net of estimated uncollectible amounts. The allowance for uncollectible amounts is \$119,956, which represents 4% of the total ad valorem tax receivable at December 31, 2012. This estimate is based on the District's history of collections within this revenue stream.

Capital Assets

All capital assets are recorded at historical cost in the government-wide financial statements. Depreciation of all exhaustible capital assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District capitalizes equipment in excess of \$2,500. In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

The following estimated useful lives and methods are used to compute depreciation:

Buildings and Improvements	15 - 40 Years	Straight-Line
Vehicles	5 - 15 Years	Straight-Line
Machinery and Equipment	5 - 10 Years	Straight-Line
Office Equipment	5 - 10 Years	Straight-Line

Depreciation expense amounted to \$155,727, for the year ended December 31, 2012.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity Classifications

During fiscal year ended December 31, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As the District does not report any deferred inflows or outflows, the effect of the implementation was to replace the term net assets with net position. In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a *Net Investment in capital assets* - consists of capital assets including restricted assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets
- b *Restricted net position* - consists of net assets with constraints placed on their use either by external groups or law
- c *Unrestricted net position* - consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The District has adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental funds. In the governmental fund financial statements, fund balances are classified as follows:

- 1 *Restricted Fund Balance* - Amounts that can be spent only for specific purposes because of the District's bond resolution, state or federal laws, or externally imposed conditions by grantors, creditors or citizens

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

- 2 *Unassigned Fund Balance* - All amounts not included in other spendable classifications

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2012:

Demand Deposits	<u>\$188,165</u>
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These deposits are stated at cost, which approximates market

Custodial Credit Risk - Deposits Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of December 31, 2012, the District had \$204,060 in deposits (collected bank balances) which are entirely insured by federal deposit insurance.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Note 3. Investments

Investments of \$1,154,121, which are stated at market using published quotes as of December 31, 2012, are in the Louisiana Asset Management Pool, Inc. ("LAMP"), a local government investment pool.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LRS 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

LAMP is a money market-like investment pool. The following facts are relevant for money market-like investment pools:

- *Credit risk* LAMP is rated AAAm by Standard & Poor's
- *Custodial credit risk* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized, because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool, therefore, no disclosure is required.
- *Concentration of credit risk* Pooled investments are excluded from the 5 percent disclosure requirement.
- *Interest rate risk* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity ("WAM") method. The WAM of LAMP total investments is 45 days (from LAMP's monthly statement of net assets) as of December 31, 2012.
- *Foreign currency risk* Not applicable to money market-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 4. Ad Valorem Taxes

Ad valorem taxes for the operations of the District are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of November 28, 2012.

Note 5. 2% Fire Insurance Tax

The District is eligible and receives a pro-rata share of the fire insurance tax collected by the State of Louisiana. The amounts received by the District are based on the population of the areas that they serve. In accordance with Louisiana Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" fire protection, as the District shall direct.

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 758,250	\$ -	\$ -	\$ 758,250
Construction in Progress	80,578	573,414	-	653,992
Total Capital Assets Not Being Depreciated	838,828	573,414	-	1,412,242
Capital Assets Being Depreciated				
Buildings and Improvements	1,252,728	-	-	1,252,728
Vehicles	1,205,435	30,734	-	1,236,169
Machinery and Equipment	277,948	20,933	-	298,881
Office Equipment	80,501	-	-	80,501
Total Capital Assets Being Depreciated	2,816,612	51,667	-	2,868,279
Less Accumulated Depreciation for:				
Buildings and Improvements	(217,034)	(33,456)	-	(250,490)
Vehicles	(771,580)	(96,561)	-	(868,141)
Machinery and Equipment	(205,066)	(16,914)	-	(221,980)
Office Equipment	(44,106)	(8,796)	-	(52,902)
Total Accumulated Depreciation	(1,237,786)	(155,727)	-	(1,393,513)
Total Capital Assets Being Depreciated, Net	1,578,826	(104,060)	-	1,474,766
Capital Assets, Net	\$ 2,417,654	\$ 469,354	\$ -	\$ 2,887,008

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 7. Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2012

	Capital Lease	Certificates of Indebtedness	Total
January 1, 2012	\$ 122,103	\$ 2,492,000	\$ 2,614,103
Issued	-	-	-
Retired	(122,103)	(270,000)	(392,103)
December 31, 2012	<u>\$ -</u>	<u>\$ 2,222,000</u>	<u>\$ 2,222,000</u>

Long-term debt consisted of the following at December 31, 2012

\$3,000,000 Certificate of Indebtedness dated August 7, 2009, payable in annual principal installments of \$249,000 - \$357,000, plus semi-annual interest at 3 40%, through March 1, 2019, secured by ad valorem tax revenues	<u>\$ 2,222,000</u>
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The following is a schedule of future principal debt service requirements

Year Ending December 31,	Certificate of Indebtedness	
	Principal	Interest
2013	\$ 281,000	\$ 70,771
2014	292,000	61,030
2015	304,000	50,898
2016	316,000	40,356
2017	329,000	29,393
2018-2019	<u>700,000</u>	<u>53,431</u>
Total	<u>\$ 2,222,000</u>	<u>\$ 305,879</u>

Note 8. Louisiana Firefighters' Retirement System Pension

Substantially all employees of the District are members of the Louisiana Firefighters' Retirement System ("the System"), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

Notes to Financial Statements

Note 8. Louisiana Firefighters' Retirement System Pension (Continued)

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting it from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Members of the System are required by state statute to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 24% of annual covered payroll. The contribution requirements of System members and the District are established, and may be amended, by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District contributions to the System for the years ended December 31, 2012, 2011, and 2010, were \$346,823, \$272,326, and \$203,367, respectively, equal to the required contribution for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended December 31, 2012, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2012

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 2,658,029	\$ 2,658,029	\$ 2,884,653	\$ 226,624
Rentals	46,000	46,000	56,564	10,564
State Revenue Sharing	42,000	42,000	50,355	8,355
Fire Insurance Tax	28,000	28,000	40,450	12,450
Interest Income	2,500	2,500	1,283	(1,217)
Total Revenues	2,776,529	2,776,529	3,033,305	256,776
Expenditures				
Public Safety - Fire Protection				
Salaries and Benefits	1,660,190	1,810,190	1,752,223	57,967
Insurance	290,000	290,000	432,630	(142,630)
Communications	78,200	78,200	79,453	(1,253)
Repairs and Maintenance	38,500	38,500	72,209	(33,709)
Fuel	28,000	28,000	34,933	(6,933)
Professional Services	22,000	22,000	31,511	(9,511)
Emergency Equipment Fund	10,000	10,000	29,244	(19,244)
Rent	21,000	21,000	22,174	(1,174)
Utilities	24,500	24,500	20,968	3,532
Operating Supplies	17,000	17,000	20,640	(3,640)
Uniforms	15,000	15,000	17,113	(2,113)
Office Supplies	5,800	5,800	8,562	(2,762)
Miscellaneous	10,500	10,500	7,986	2,514
Education and Training	20,000	20,000	5,200	14,800
Fire Prevention Expense	4,000	4,000	1,500	2,500
Postage	1,200	1,200	734	466
Advertising	500	500	484	16
Travel/Allowance	8,000	8,000	411	7,589
Drug Testing	1,500	1,500	-	1,500
Capital Outlay	42,600	42,600	20,933	21,667
Debt Service				
Principal	392,102	392,102	392,103	(1)
Interest	85,937	85,937	85,938	(1)
Total Expenditures	2,776,529	2,926,529	3,036,949	(110,420)
Deficiency of Revenues under Expenditures	-	(150,000)	(3,644)	146,356
Other Financing Uses				
Transfer	-	-	353,567	353,567
Net Change in Fund Balance	\$ -	\$ (150,000)	349,923	\$ 499,923
Fund Balance, Beginning of Year			2,767,857	
Fund Balance, End of Year			\$ 3,117,780	

OTHER SUPPLEMENTARY INFORMATION

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

**Schedule of Governing Board
December 31, 2012**

<u>Governing Board</u>	<u>Compensation</u>
Rosalie Boudreaux 201 Hawthorne Hollow Drive Madisonville, LA 70447	\$-0-
Myron Bourg P O Box 607 Madisonville, LA 70447	\$-0-
Dale Shows 602 Pine Street Madisonville, LA 70447	\$-0-
George "Skip" Rinaldi 217 Empress Court Madisonville, LA 70447	\$-0-
Don Largarde 32 Greenbriar Drive Covington, LA 70433	\$-0-

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Fire Protection District No. 2
Madisonville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities and the major funds of St. Tammany Parish Fire Protection District No. 2 ("the District"), a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, identified as item 2012 - 1.

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McGladrey & Pullen, LLP
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www.mcgladrey.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

St. Tammany Parish Fire Protection District No. 2's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
April 26, 2013

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

**Schedule of Findings and Responses
For the Year Ended December 31, 2012**

2012 - 1 Financial Statement Preparation

<i>Criteria</i>	Management's preparation of the annual financial statements
<i>Condition</i>	As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the District's annual financial statements. This condition is intentional by management based upon the District's lack of financial complexity, along with the cost prohibitive nature of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting journal entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been fully implemented. Recently issued U.S. Generally Accepted Auditing Standards require that we report the above condition as a material weakness.
<i>Cause</i>	The District's lack of financial complexity.
<i>Effect</i>	Numerous year-end adjusting journal entries.
<i>Recommendation</i>	The District has determined that the most cost effective and prudent use of the District's funds is to engage the auditor to prepare the District's annual financial report. As such, we feel no action by the District is necessary at this time.
<i>Management's Response</i>	No action will be taken by management at this time.

**ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 2
MADISONVILLE, LOUISIANA**

**Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2012**

2011 - 1 Financial Statement Preparation

Status This condition has not been resolved See finding 2012 - 1